The Seafood Market in China

Prepared by the
Canadian Embassy, Beijing

April, 2002

THE SEAFOOD MARKET IN CHINA

1. Introduction

This report provides a brief overview of the seafood market in China together with a list of seafood importing companies.

The potential market for seafood in China in the longer term is huge. China imported $2 billion of fishery products in 2001 which is nearly triple the value of five years earlier. It is expected that Chinese seafood imports will continue to increase at a healthy rate. Currently, the market is primarily located in the coastal cities of China where consumers tend to have more disposable income as well as being more familiar with seafood products. Many Canadian seafood products will be geared to the high-end premium market of the affluent and middle class consumers with increasing incomes.

China's accession to the WTO will result in major reductions over the next several years to the high customs tariffs levied on imported seafood products and create excellent longer term market prospects. Tariff reductions on major Canadian seafood export products including northern shrimp, lobster, crab and salmon in particular will create significant opportunities for enhanced export levels of these products.

2. Market Characteristics

China has the world's largest fishery products output with some 45 million tons of production. About 60 percent of the production is aquaculture and the balance caught at sea. The per capita consumption of fishery products is not high, about 4 kilos per capita in rural areas and 10 kilos per capita in urban areas.

China is a vast potential market for seafood which will grow as living standards of the Chinese people increase. Seafood processing is currently concentrated in coastal cities like Dalian and Qingdao. Due to poor nation-wide infrastructure, shortage of refrigerated equipment and short shelf life of fresh seafood, the market is primarily oriented to coastal cities like Beijing, Shanghai and Guangzhou. Seafood consumption in inland China is low, mainly because of people's relatively low income and general inaccessibility to seafood.

The fish products market comprises both seafood and freshwater products. Supplies come from China's own coastal sea waters and offshore fisheries, freshwater products raised in

local waters, farmer's rice fields or ponds, and imported product. Seafood, due its generally high cost, is consumed by the affluent population in coastal cities of China while freshwater products are consumed throughout China.

Foreign seafood is generally more expensive because of the importation costs. Despite the higher prices, the younger, affluent Chinese are keen on trying out foreign seafood which may be different from domestic product. Familiar products, such as cold water shrimp are in tremendous demand as China's shrimp aquaculture stocks were almost wiped out in the early 1990s from disease.

Other seafood market opportunities available to foreign exporters are related to the local market preferences in China. For example, Chinese traders are interested in fish heads and bellies which are usually discarded or sold at minimal prices in North America when fish is processed for fillets. Also there is a good market for "undersized" fish. In China, a 200-500 gram fish, with its head and tail on, is regarded as the perfect size for steaming, a popular way to cook fish in China.

Unlike the younger generations, the older generations of Chinese people are very price sensitive and therefore, price becomes the determining factor in their purchasing decisions. Furthermore many of the older generations prefer to shop at traditional wet markets where there are fewer opportunities to know the origins of the seafood. Seafood sold at these markets are either fresh or alive in barrels of water. They are not packaged or labeled with information about the products' geographic origin and nutritional value.

In general consumers prefer live seafood. When live seafood is too expensive, frozen seafood is the next choice followed by canned or dried seafood products like dried cuttlefish, a very popular Chinese snack.

There is a large variety of foreign seafood in the local market and suppliers include Canada, the United States, Denmark, Russia, Iceland, Canada, Ecuador, Thailand, Indonesia, Australia and Norway. There is no single dominant supplier of seafood products.

Canadian companies are exporting primarily crab, shrimp, herring, salmon, geoduck and hokkigai clams, livers and roes to China. The market for Canadian fish and seafood products is in the larger affluent cities such as Beijing, Shanghai, and Guangzhou. The primary end users of Canadian product are the higher end hotels and Chinese seafood restaurants.

3. China's Seafood Imports

China's imports of seafood products have increased at a dramatic rate during the past five years nearly tripling in volume to over US$1.3 billion in 2001 or just over C$2 billion.

The high import duty rates on seafood products has encouraged many importers to find methods to evade tariffs by shipping their goods via Hong Kong to China without the normal documented records. Consequently official figures from the Chinese government regarding China's seafood imports may not be accurate because some seafood imports enter China through grey channels. It is expected that this diversionary process will be used less as the tariffs reduce significantly under China's accession to the WTO and Customs laws are more vigorously enforced.

China's seafood Imports

Value (US$millions)

Product	1999	2000	2001
cod	278	339	416
other frozen	50	182	200
shrimp	59	121	121
squid	60	132	114
plaice	24	54	57
livers, roes	23	38	53
crab	50	70	48
Pacific salmon	10	14	45
fillet	15	24	39
dried, salted	32	41	28
mackerel	5	16	30
live fish	194	51	12
herring	2	11	12
haddock	1	3	11
crab (not frozen)	1	3	10
shrimp (not frozen)	7	14	11
Total	881	1,212	1,331

Note: China's seafood imports were $543 million in 1997 and $667 million in 1998.

Source: World Trade Stats

4. China's Seafood Imports from Canada

Canadian seafood exports to China have grown dramatically over the last five years having doubled from $50 million in 1997 to $102 million in 2002. Crab, shrimp, clams and roes are the major export items and lobster is starting to make some gains.

Major Canadian seafood exports to China

	Value (C$ millions)			
Product	**1998**	**1999**	**2000**	**2001**
frozen crab	26.4	52.0	57.0	53.1
crab, not frozen	2.4	2.0	4.4	2.3
frozen shrimp	11.4	12.9	18.7	24.0
frozen lobster	–	.1	.5	1.9
lobster, live	.4	.2	.1	.2
livers and roes	9.7	9.4	13.6	10.5
molluscs (live or fresh)	4.4	4.4	4.7	2.8
molluscs (frozen)	7.0	7.5	4.5	6.5
Total	61.7	88.6	104.1	101.9

Source Statistics Canada

5. Distribution system

After arriving at the ports, frozen seafood products are shipped via China's railway and highway transportation network to the various cities for sale. The distribution chain is as follows: the primary importers sell to local first-level wholesalers, who then transfer product to dealers, who in turn sell to retailers. The main retail venues for seafood in China are the wet markets and food stores. In addition to frozen seafood, there is a smaller but substantial market for live seafood in China. Live seafood products are shipped by air and the main point of entry is Beijing. Among the many live seafood products entering China are, dungeness crab, oysters, lobster, and geoduck from Canada, rock lobsters from Australia, and oysters from New Zealand.

6. Tariffs

China's high seafood tariffs have been a significant impediment to long term growth of imports to China. However, China's accession to the WTO has resulted in major reductions for a wide range of seafood products of interest to Canada as shown in the table below.

Chinese tariffs on selected seafood products

Product	Tariff rates (%) 2002	2003	2004	2005
Fish:				
fresh or chilled				
salmon	10	10	10	10
trout	10	10	10	10
livers and roes	12	12	12	12
frozen (excl fillets)	14	12	10	10
salmon				
trout	14	12	10	10
halibut	14	12	10	10
plaice, sole	14	12	12	12
tuna	12	12	12	12
herring, cod	14	12	10	10
mackerel	14	12	10	10
dogfish, sharks	12	12	12	12
sardines, haddock	14	12	12	12
eels, sea bass	14	12	12	12
livers and roes	10	10	10	10
Fillets				
fresh or chilled	18	16	15	12
frozen	18	16	13.3	10
dried, salted, brine, smoked				
smoked salmon	20.4	17.2	14	14
smoked herring	21.6	18.8	16	16
dried cod	20.2	16	16	16
salted herring	21.6	18.8	16	16
salted cod	21.6	16	16	16
Crustaceans, molluscs:				
live, fresh, chilled, frozen				
lobster	20	16.7	13.3	10
shrimp (shelled)	13.5	8	8	8
shrimp (unshelled)	13.5	5	5	5
crab	20	16.7	13.3	10

oysters	20.4	17.2	14	14
scallops	20.4	17.2	14	14
mussels	20.4	17.2	14	14
sea cucumber	20	16.7	13.3	10
abalone	25	20	15	10
cuttlefish	15.3	12	12	12
octopus	22.2	19.6	17	17

7. Regulations

The importation of fish and shellfish is subject to different restrictions and inspections depending on the product and the degree of processing. For example, live products may be subject to inspection by the State General Administration for Quality Supervision and Inspection and Quarantine (AQSIQ), while canned product will not have to go through this particular channel.

Prior to Chinese Customs clearance AQSIQ may have to inspect imported processed and unprocessed products at port of entry for quality, weight, and quantity; health and sanitation of the imported product., and; visible and non-visible problems as well as labelling issues. Labelling regulations now require all food products to have full product information in Mandarin Chinese.

Once all inspections have been cleared, seafood products will pass through China Customs where the CIF price (Cost+Insurance+Freight) is subject to the appropriate tariff. In addition to the customs import tariff there is a Value Added Tax (VAT) on the CIF and this amounts to 3% for fresh products and 17% for non-fresh products.

8. Payment terms

This process can be a challenge. Payment conditions must be carefully negotiated, well understood and mutually acceptable between the buyer and the Canadian exporter before the trade transaction occurs. Importers will aggressively seek the most favourable payment terms possible. Many local companies will have difficulty accessing foreign currency.

For live seafood products the terms are generally cash or telegraphic transfer before they are shipped overseas by foreign suppliers. Telegraphic transfers or wire transfers are simple and inexpensive to set up at the Bank of China but are generally used only for small value trade transactions. A letter of credit is more expensive to set up with the Bank of China and can take some time to process, however, it guarantees that the export company will be paid in a timely manner. Due to the uncertainties associated with doing business in China, many Canadian exporters like the comfort of using the export insurance guarantee provided by the Export Development Corporation.

9. Seafood Importers

Following is a partial list of potential seafood importers. For additional contacts please contact the Canadian Consulates in Shanghai and Guangzhou.

China Kingdom Import & Export Co., Ltd.
Song Shuyi, Managing Director
No. 4 North Ritan Road, 100020, Beijing
Tel: 86-10-65016628
Fax: 86-10-65080519/65866899
http://www.chinakingdom.com
E-mail: manager@chinakingdom.com

The company's list of seafood imports includes the following;

- Ribbon Fish, Octopus, Squid, Yellowfin sole, Salmon, Herring, Croaker, Monkfish, Pacific cod, Alaskan pollock, Silver pomfret, Atlantic salmon, Red fish, Halibut, Pacific halibut, Lobster, Tiger prawns, White shrimps, Cooked coldwater shrimps, Alaska snow crab.

China Great Wall Industry Dalian Corp.
Julia Ying, Manager Seafood Section
No. 173 Youhao Road, Dalian, 116001
Tel: 86-411-2804948/2809011-3218
Fax: 86-411-2636278
E-mail: julia@gwdl.com / yings@mail.dlppt.ln.cn

China Great Wall Dalian Corp. (CGWIDC) is one of the main branch companies of China Great Wall Industry Corp. Group a big state run import and export corporation with a history of more than 30 years. CGWIDC has a wide business scope including machinery, foodstuffs, clothing and chemicals. Having dealt in seafood for over 10 years CGWIDC is experienced in importing, processing, and exporting various types of seafood. Their processing plants are HACCP approved and qualified to export products to America, the EU, and other countries. For the import side of their business CGWIDC buys various types of fish from foreign sources including;
pollock, cod, salmon, yellowfin sole, Spanish mackerel, squid, herring, ribbon fish, scallop and yellow croaker.

Dalian Free Trade Zone Lianyang Foods Company Ltd.
Arthur Xu, President
1-1 B, Building No. 1, MingZe Yuan ZhongShan District, Dalian, 116001
Tel: 86-411-2722605/2722615
Fax: 86-411-2722635

E-mail: lianyangs@online.ln.cn

Dalian Free Trade Zone Lianyang Foods Company Ltd. has been in operation since 1989 and import raw Alaskan pollock, cod, and sole to process and re-export the fillets. Other products they deal in include squid, monk fish, salmon, scallop, clam, crayfish, fish meal, honey, mushrooms, beans, and asparagus.

Dalian Yulong Food Co. Ltd.
Ye Yong He, President
Room 1808, No.8 Minsheng Street, Dalian, 116001
Tel: 86-411-2642552
Fax: 86-411-2642542
E-mail: dhld@mail.dlppt.ln.cn

Dalian Yulong Food Co. Ltd. is a seafood importer, processor, and exporter. The company has 300 workers and 12 technicians, and a cold storage capacity of 600 mt. Their plants have modern equipment, skilled workers and an integral HACCP system. Most exports go to America. The company imports; Alaskan pollock, pacific cod, herring, yellow fin sole, squid, red fish, and ribbon fish.

This company is interested in meeting a supplier of crabs.

China Fisheries & Aquatic General Corporation
Mr Liu Lian Jun
Director
Foreign Affairs Dept
31 Min Feng Hu Tong in Xi Dan
Beijing, China
100032
Fax: 86-10-8806-7017

Dalian Marine Products Group Co. Ltd.
Import & Export Department
Tao Xiang Guo, Director
Room 718 Gangwan Qiao Hotel, No. 3 Gangwan Qiao Square, Zhongshan District, 116001 Dalian
Tel: 86-411-2728206
Fax: 86-411-2728206
E-mail: dlscjt@online.ln.cn

DMG Fisheries Co. was established in 1956 and has 1250 employees. The company is involved in fishing, processing, wholesale, and the import & export business. They have fixed assets of RMB 75 million, and sales of approximately RMB 200 million per year. The company has 200 mts cold storage, a quick freezing capacity of 90 mts per day, and a processing floor area of more than 5000 sqm. Annual production is over 10,000 mts . They have passed HACCP certification by the FDA (USA). Products they

presently deal in include; seasoned herring roe, scallops, shrimp, fresh prawns, raw clams, and squid.

The company is interested in importing both fish and shrimp.

Dalian Yanming Enterprise Group
Liu Gui Fen, Assistant General Manager, Foreign Trade
Pikou Town Pulandiaqn City, 116222, Dalian
Tel: 86-411-3403344/3403060-11
Fax: 86-411-3400150
http://www.yanming.com
E-mail: yanming@mail.dlptt.ln.cn

Dalian Yanming Enterprises Group has been in operation since 1989 and is involved in international business, ocean fishing, and marine processing. The company has general assets of RMB 800 million including fixed assets of RMB 648 million. They have a staff of 3500 people and annual production capacity of 30,000 tons of finished product. Since 1993 their factories have been approved by the EU and USDA. The company is primarily a re-exporter and deals in the following aquatic species; pollock, pacific cod, yellow fin sole, salmon, silver smelt, redfish, scallop, mussels, arkshell, cockleshell, clams, conch, oysters, shrimp, herring roe, octopus, squid, and crab.

Shenzhen Honghai World Industrial Co. Ltd.
Liu Jinyong, Managing Director
Rm. H 13/F., Hu Bo Bldg.
Lake View Garden, Hong Hu Rd.
Luo Ho District, Shenzhen, PRC
Tel: 86-755-561-3038
Fax: 86-755-560-9017

e-mail: szljy@public.szptt.net.cn

Products: Australian southern, western and northern live lobsters, Blacklip abalone, King crab, live fish, New Zealand live lobster, Canadian live lobster, Geoduck clams, Dungeness crab, Indian and Indonesian live lobsters, fresh chilled grouper, Norwegian salmon, Mexican live lobster, American dried fish maws, shark fin, etc.

Guangzhou Sanli Frozen Food Co., Ltd
Contact: Mr Li Jin Fa / Ms Huang
Huangken, Shuangsha Village, Dazhen Dasha, Huangpu District,
Guangzhou(510070)
PRC
Tel: (86-20)82390259
Fax:(86-20)82377827

Products: frozen seafood such as ribbon fish, yellow croaker and mixed fish, shrimps and lobster, frozen chicken offals such as wings, paws, leg, frozen pork offals such as

tripe, tendons, omasum. The company is based in south China selling to Beijing, Shanghai, Shengyang, Suzhou, Harbin, Wuhan, Shenzhen, Shantou etc.

Hong Sheng Industry Development Co., Ltd.
Contact: Ms Judy Lu
11A Bi Tao court, Bi hu Garden, Hong Hu Road, Shenzhen, China
Tel: 86-755-560-4815 5602-466 5623-974
Fax: 86-755- 560-3942
Mobile:1360-308-5319
E-mail: szhongsh@public.szptt.net.cn

Products: lobsters, abalone, salmon, clam, geoduck and propeller clam

Shenzhen Longtian Shangmao Co., Ltd.
Mr Wu Zhuo Bin, General Manager
Tel: 86-755-220-2877, 5850142
Fax: 86-755-585-0382
Mobile:(0)13902916098

Products: Beef, seafood, potato chips, beans and other frozen food